

Senate Finance Committee
Hearing held on April 3, 2003
“Purchasing Health Care Services in a Competitive Environment”

Questions for the Record
Submitted by Ranking Member Max Baucus

Questions for Abby Block, Senior Advisor for Employee and Family Policy U.S. Office of Personnel Management
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Question 1 – We often hear that the Federal Employees Health Benefit program (FEHB) boasts 7 national fee-for-service programs with 12 national plan options. We hear that federal employees all over the country can choose a plan that best meets their need, no matter where they live, and even if they live in the most remote part of the country.

During your testimony to the Finance Committee, I asked you if all federal employees really have the same access to services in all areas of the country. You responded:

“Everybody has the same access given the availability of providers in the geographic area. So, in an urban area, a person might have to drive less than a mile to get a physician. In some of the rural areas, it may be 50 miles or more. But that’s not because we don’t have a provider in the network; it’s because that happens to be the closest provider in that geographic area.”

A recent analysis by Senate Finance Committee minority staff found that, for federal employees in Montana, the only plan for which that statement holds true is the Blue Cross Blue Shield plan. The GEHA and Mail Handlers plan options do not contract with many – if any – physicians in many counties of the state (see table below). Together, Blue Cross Blue Shield, GEHA and Mail Handlers are the three plans that represent 65 percent of total FEHB enrollment.

Based on this analysis, would you agree with my conclusion that Blue Cross Blue Shield plan is really the only viable option for federal employees in Montana who want convenient access to providers in their area?

Access to Physicians Under FEHBP Plans in Selected Montana Counties

Montana County	Total # of physicians in county	Medicare participating physicians	FEHB BCBS in-network physicians	FEHB GEHA in-network physicians	FEHB Mail Handlers in-network physicians
Beaverhead	15	12	10	4	0
Dawson	11	10	7	1	1

Fergus	18	14	13	1	0
Liberty	3	3	1	0	0
Lincoln	22	18	18	6	6
Prairie	1	0	0	0	0
Richland	13	10	10	0	1

Source: Senate Finance Committee staff analysis of Medicare physician participation data, www.fepblue.org, www.geha.com, and www.firsthealth.com.

Question 2 – During your testimony to the Finance Committee, I asked you whether enrollees in FEHBP have access to specialists located in rural areas. You responded:

“I think that we can demonstrate that there are not only primary care physicians but specialists available. . . . Although there are certain differences among the plans – and as I suggested earlier, Blues basic is probably the best, simply because of the structure of that plan it was necessary for them to make special arrangements to have access absolutely everywhere – our other fee-for-service plans may not have broad access, but they have reasonably good access, I must say.”

Later, you added:

“[I]n urban areas, where there are more providers available, some may not be in the network. But typically in areas where there are fewer providers available, virtually every provider is in the network, because that’s the only way you can arrange in-network service in every geographic area.”

However, a recent analysis by Senate Finance Committee minority staff found that even the Blue Cross Blue Shield Standard Option does not include many specialists in its network, and as a result, many rural Montanans must travel significant distances to receive care from an in-network specialist or else face higher deductibles or cost-sharing amounts.

Montana Access to Selected Specialists Under Medicare and FEHBP Blue Cross Plan

Montana Town	Specialty	Medicare Participating Physician?	Included in Blue-Cross Network?	Nearest In-Network Specialist
Augusta	Obstetrics & Gynecology	Yes	No	63 miles (Great Falls)
Bozeman	Neurology	Yes	No	98 miles (Helena)
Butte	Neurology	Yes	No	53 miles (Helena)
Columbia Falls	Psychiatry	Yes	No	32 miles (Trenton, ND)
Dillon	Orthopedic Surgery	Yes	No	55 miles (Butte)

Dillon	Diagnostic Radiology	Yes	No	55 miles (Butte)
Glasgow	Diagnostic Radiology	Yes	No	158 miles (Havre)
Glasgow	Urology	Yes	No	270 miles (Great Falls)
Glendive	Psychiatry	Yes	No	219 miles (Billings)
Glendive	Diagnostic Radiology	Yes	No	219 miles (Billings)
Hamilton	Diagnostic Radiology	Yes	No	42 miles (Missoula)
Kalispell	Nephrology	Yes	No	121 miles (Missoula)
Livingston	Orthopedic Surgery	Yes	No	25 miles (Bozeman)
Miles City	Diagnostic Radiology	Yes	No	144 miles (Billings)
Sidney	Radiology	Yes	No	42 miles (Williston, ND)

Source: Senate Finance Committee staff analysis of Medicare physician participation data, www.fepblue.org, and www.bluecrossmontana.com.

Based upon this analysis, do you still believe that Blue Cross enrollees have reasonable access to in-network health care providers in rural Montana?

Question 3 – During your testimony to the Finance Committee, you discussed access to services from remote rural hospitals with Senator Breaux:

BREAUX: You pick the most rural county in America, you probably have a Fish and Wildlife Service employee or a USDA employee or a postal worker that has the FEHBP health care plan. How does that person get insurance coverage when there is no competition . . . how does FEHBP guarantee that that person gets health care at an affordable price?

BLOCK: Well there are a couple of ways. For one thing, as I mentioned earlier, under the Blue Cross-Blue Shield basic option, that plan, because it's a nation-wide in-network-only plan, has guaranteed access. Absolutely everywhere in the country has access to an in-network benefit.

BREAUX: OK, suppose that hospital is the only hospital in the county?

BLOCK: Then that plan has made special arrangements to include that hospital in its network. . . .

BREAUX: But you have at least one national plan that would make sure that that hospital, that doctor, if they're the only ones in that county, are included in the plan that's offered by the FEHB provider?

BLOCK: That's correct.

Research by the Senate Finance Committee minority staff indicates that in Montana at least three rural hospitals are not included in the Blue Cross-Blue Shield network: Fallon Medical Complex in Baker, Big Sandy Medical Center in Big Sandy, and Dahl Memorial Hospital in Ekalaka. All of these hospitals participate under Medicare. But federal employees in these communities who are seeking in-network hospital care must drive thirty to sixty miles to obtain it – sometimes across state lines.

Based on this research, do you still believe that every facility that is the only hospital in a rural county is included in the Blue Cross-Blue Shield network?

Question 4 – Relatively few FEHBP enrollees switch plans each year, even in light of rapid increases in premiums. Some argue that the fact that OPM does not require standardized benefits and cost-sharing makes it very difficult for enrollees to adequately evaluate their plan options. As a result, few enrollees switch plans during the open enrollment period. Would enrollees have an easier time selecting a health plan, if all of the benefit packages were standardized?

Question 5 – Please provide a breakdown of the number of FEHBP plan options and the percent of eligible FEHBP members enrolled in each plan for all 50 states.

<p>Questions for Bruce Bradley, Director of Health Plan Strategy and Public Policy General Motors Health Care Initiatives</p>

Question 1 – In your opinion, what are the best ways Medicare could adopt a competitive bidding model that encourages plans to compete on quality and price – and not by simply cherry-picking the healthiest beneficiaries? How can Congress ensure that beneficiaries choose a plan based on both quality and price? For example, would you agree that having a standardized benefit is important for beneficiaries to make informed choices?

Question 2 – Some prescription drug proposals would not count employer contributions toward out-of-pocket limits. In your opinion, what would the effect of such a proposal be on employers' retiree health benefit coverage for prescription drugs? What are the best ways to encourage employers to maintain prescription drug coverage to their retirees under a Medicare prescription drug benefit?

<p>Question for Tom Carrato, Deputy Assistant Secretary for Health Plan Administration U.S. Department of Defense</p>

Question – An estimated \$27 billion per year is devoted to the U.S. military health system, funding care for 8.7 million TRICARE beneficiaries. As I understand it, TRICARE

contractors are not fully at risk for beneficiary spending, since most of this population's health care services are provided at the military's own 75 hospitals and 500 clinics. Can you please provide an estimate of the percentage of TRICARE health spending for which TRICARE contractors are at risk?

Additional Material for the Hearing Record

In addition to the questions for Committee witnesses above, I respectfully request that the attached letter to Dr. Paul Ginsburg, along with his response, be included in the hearing record.